DTC Strategy:

Unlocking Profitability Without Breaking the System

A comprehensive roadmap for brands considering or currently navigating a DTC transition.

omniaretail

Executive Summary

The direct-to-consumer (DTC or D2C) model offers brands significant opportunities to improve profitability, deepen customer relationships, and gather rich consumer insights.

However, the shift to DTC is not without risk, particularly for brands with established wholesale and retail networks. Broad distribution without pricing controls can lead to widespread price erosion, harming retailer margins and brand reputation.

This whitepaper provides a comprehensive roadmap for brands considering or currently navigating a DTC transition. Developed by Omnia Retail, the document covers how to prevent price erosion, leverage selective distribution, and manage channel conflict while building a sustainable DTC business.



1. Introduction

Digitalization has revolutionized how brands connect with consumers. DTC channels allow for full control over the customer experience, product presentation, and pricing strategy. For newer, digitally native brands, this is a natural evolution. But for established brands, particularly those born in retail or wholesale environments, the move to DTC can present strategic and operational challenges.

The issue lies in balancing innovation and tradition. Retail partners have often contributed to the brand's presence and revenue, and risking those relationships in pursuit of DTC gains can backfire.

Brands need to ask: Is there a way to pursue DTC without triggering channel conflict or eroding trust with retail partners?

The short answer: Yes, if done with strategic care.

- Digitalization has transformed how brands engage with consumers, especially through direct-to-consumer (DTC) channels.
- DTC enables brands to fully control customer experience, product presentation, and pricing strategy.
- Digitally native brands adopt DTC naturally, but legacy brands face strategic and operational hurdles.
- The main challenge is balancing DTC growth with maintaining strong retail and wholesale partnerships.
- With careful strategy, brands can expand into DTC without causing channel conflict or damaging partner trust.

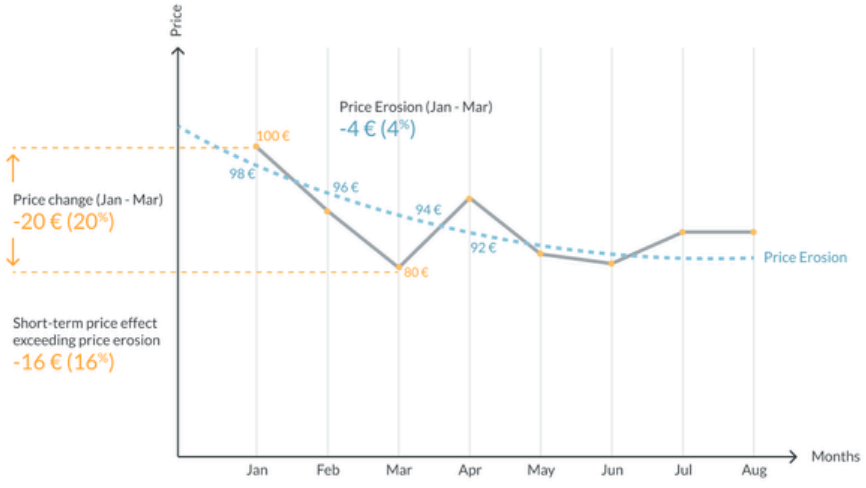
2. The Mechanics and Impacts of Price Erosion

How Price Erosion Starts

Price erosion is most prevalent in brands with large, uncontrolled distribution networks. These networks often span multiple countries and regions, where retailers make independent pricing decisions. This decentralized model creates vulnerabilities.

When a few retailers in a region decide to aggressively lower prices, it triggers a domino effect. Competing retailers feel compelled to match or beat those prices, leading to a race to the bottom.

Price Erosion explained: Illustrative example



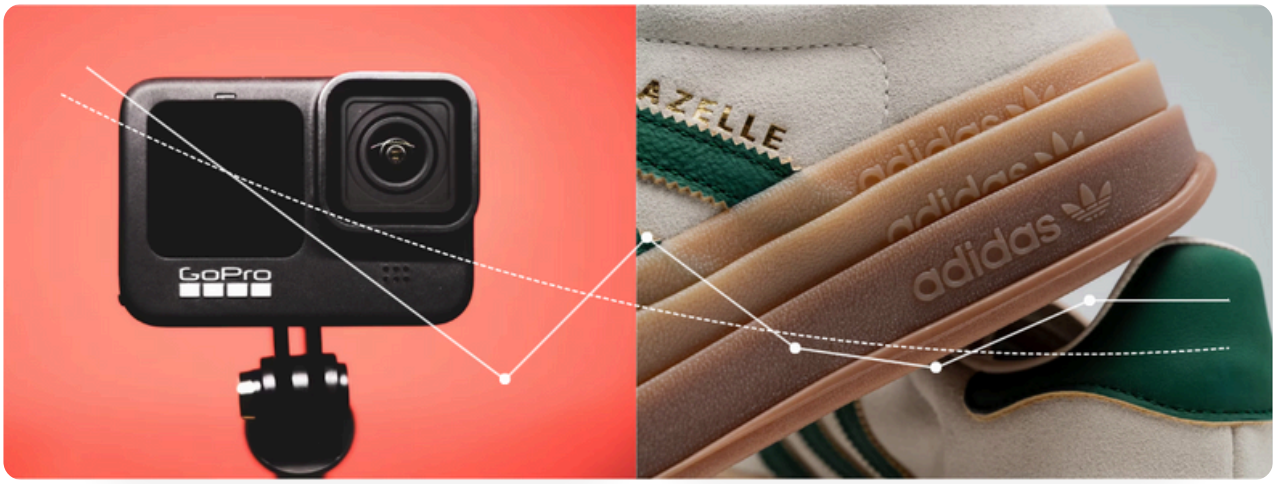
Source: GfK 2024

Consequences for Retailers

Retailers bear the brunt of price erosion. Their profit margins shrink, which weakens their incentive to promote or prioritize a brand's products. If this pattern continues over several seasons, retailers may drop the brand entirely in favor of others that offer more stable pricing and healthier margins. Over time, this undermines the brand's presence in key markets and jeopardizes long-standing retail relationships.

The Brand Perspective

For brands, the impact is equally severe. Adidas and GoPro are both examples of brands affected by price erosion due to broad, decentralized distribution networks. Retailers often undercut each other on popular Adidas sneakers or older GoPro models, triggering a race to the bottom. This erodes margins, weakens retailer commitment, and ultimately damages the brand's premium positioning.



When retailers face margin pressure, they typically respond by demanding lower wholesale prices from the brand, which ultimately puts strain on the brand's own profitability. Aside from lost margin, price erosion can damage the brand's perceived value. It becomes harder to justify premium pricing if consumers become conditioned to frequent discounts. The brand's strategic positioning in the market suffers, and future DTC efforts may be undermined by a customer base expecting perpetual sales.

3. Exploring the Benefits of DTC

Direct-to-consumer (DTC) gives brands greater control, higher margins, and direct access to their customers. By cutting out intermediaries, brands can optimize the customer experience, launch innovations quickly, and own valuable first-party data.

DTC also opens the door to stronger loyalty and deeper customer relationships.

Key Advantages of the DTC Model

The direct-to-consumer model creates opportunities across multiple areas. Let's break them down:

Margin expansion through direct sales

Without intermediaries, brands keep a bigger share of each transaction, which is crucial in competitive markets with wholesale discounts that cut into profits.

Control over product and brand experience

DTC gives you full control over visuals, packaging, pricing, and after-sales, ensuring consistency, better customer experience, and fewer channel conflicts over promotional timing.

Product innovation and limited editions

The DTC model supports rapid experimentation. Brands can launch exclusive colors, sizes, or features online and gauge interest in real time. Smaller production runs become viable, giving brands more flexibility to innovate.

Data ownership and customer insight

DTC transactions give brands valuable first-party data for understanding behavior, segmenting audiences, and tailoring marketing. This includes insights into who buys, what they buy, when, and how often.

Building loyalty and community

Owning the customer relationship means brands can build loyalty through tailored experiences, memberships, and rewards. Loyalty programs and email marketing create opportunities for repeat sales and deeper brand engagement.

4. Managing Channel Conflict: A Brand's Biggest Fear

Balancing DTC and Retailers

For many brands, retailers still drive over 90% of sales, making DTC transitions sensitive. Retailers may feel threatened by lower DTC pricing or exclusive launches, especially if communication is lacking or the brand appears to undercut partners.

Internal resistance within the brand:

- Retailers often feel threatened by aggressive DTC pricing and exclusive product launches.
- Internal resistance from brand executives fearing DTC may cannibalize retail revenue.

Mitigation strategies:

- Maintain open communication with retail partners to clarify DTC strategies and pricing.
- Clearly explain pricing logic and indicate which products will remain retail-exclusive to emphasize that DTC is complementary rather than competitive.

> With pricing tools like Omnia, automated pricing is not a black box: Retailers can see exactly how and why a price is calculated, which helps eliminate confusion and strengthen collaboration.

Tactical ways to avoid conflict

To avoid channel conflict, brands can differentiate product assortments, maintain pricing parity, and run joint promotions with retail partners. Sharing DTC data can also support wholesale planning and strengthen collaboration.

Assortment differentiation	Keep products or bundles exclusive to either DTC or retail.
Pricing parity	Avoid undercutting retail prices online.
Data sharing	Use DTC insights to inform wholesale planning and inventory optimization.
Joint promotion	Offer coordinated campaigns where both retail and DTC benefit.

5. Strategic Framework: How Brands Can Improve Profitability

Phase 1: Optimize the distribution network

Start with a clear view of all sales channels. Prioritize partners who invest in your brand and deliver a consistent customer experience. Use objective criteria—like service levels and brand alignment—to guide more selective distribution. With wholesale, pricing control is limited, so market monitoring is essential.

Phase 2: Establish DTC infrastructure

Build a strong ecommerce foundation with fast fulfillment, branded packaging, and responsive customer service. Unlike B2B, DTC demands operational precision and direct customer engagement. Track customer behavior and product performance to guide decisions.

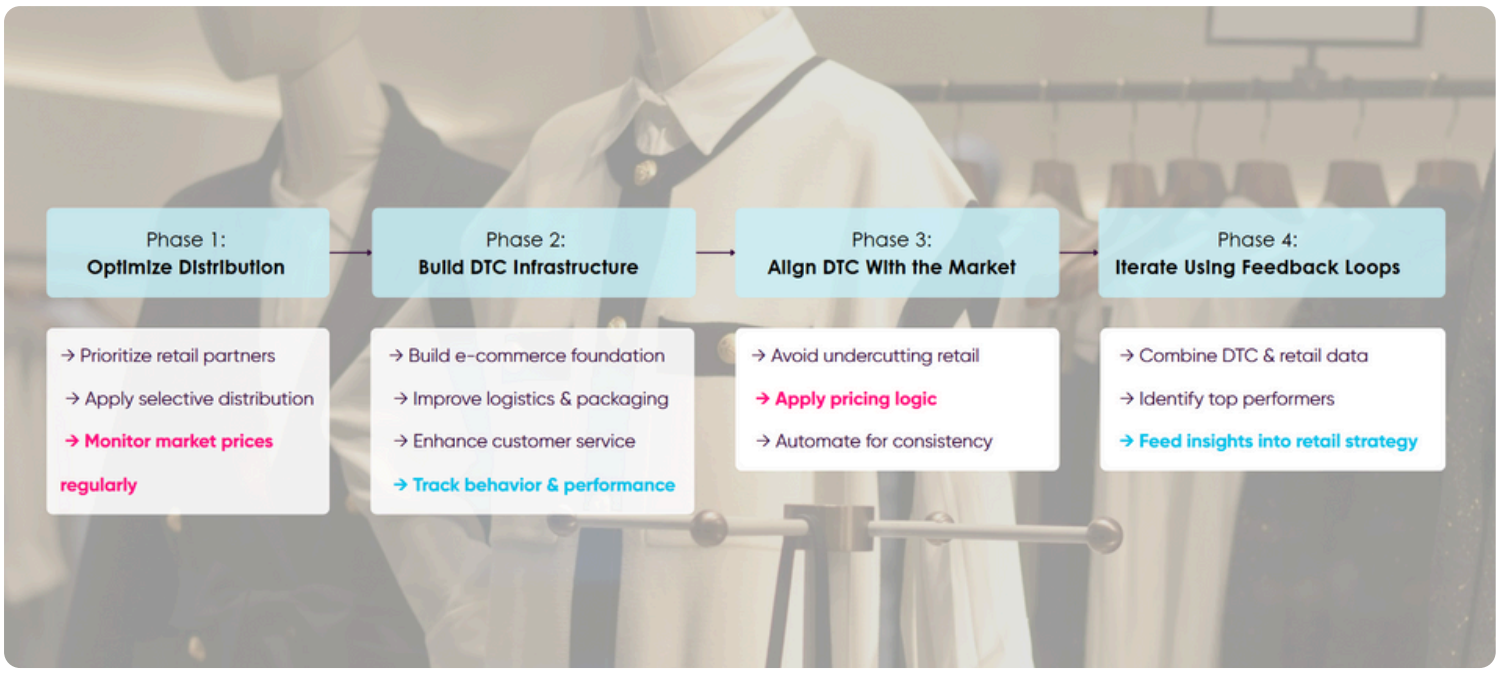
Phase 3: Align DTC pricing with the market

Avoid undercutting retailers by applying a logic-based, transparent DTC pricing strategy. Automation helps maintain consistency, build trust, and prevent ad hoc price changes that erode confidence.

Phase 4: Iterate using feedback loops

Use data from both DTC and retail to refine pricing and assortments. Identify top-performing DTC products and feed those insights back into your retail strategy.

The strategy framework in 4 steps:



For brands willing to communicate openly, invest in the right systems, and align on pricing logic, the DTC shift is not a threat—it's a scalable opportunity.

Traditional Retail vs. DTC vs. Hybrid Approach

	Traditional Retail	DTC	Hybrid (Omnichannel)
Margin Control	Low	High	Moderate–High
Data Ownership	Minimal	Full	Partial, but growing
Pricing Flexibility	Limited	High	Moderate (with tooling)
Brand Experience Control	Low	Full	Shared
Speed of Innovation	Slower	Faster	Context-dependent

Key Takeaways

- A selective distribution network improves long-term brand value and pricing control.
- Strong DTC infrastructure enables experimentation, customer insight, and margin gains.
- Transparent, logic-based pricing helps maintain trust with retail partners.
- Continuous feedback from DTC and retail channels supports smarter, data-driven decisions.

6. Why the Fear is Overstated—and How to Move Forward

Understanding the root cause of this fear

For brands with well-established wholesale channels, transitioning into DTC brings inherent tension. Executives often see it as a threat to their existing cash flow, particularly when traditional retail accounts for up to 90% of revenue. These concerns are understandable, but manageable with the right approach.

Rather than viewing DTC and retail as competing channels, leading brands recognize their complementary strengths:

- **Retail** delivers scale, reach, and steady volume
- **DTC** offers control, agility, direct data, and higher margins
- **Together**, they create a balanced go-to-market strategy that builds long-term brand value

A strong DTC presence can also benefit retail partners. It sets a clear benchmark for how the brand should be priced, merchandised, and experienced, helping retailers elevate their own performance.

Embracing a complementary model

Brands that embrace the complementary relationship between DTC (Direct-to-Consumer) and retail channels can innovate and grow without disrupting existing revenue. Clear boundaries allow DTC to focus on exclusive products, while retail serves as an experiential touchpoint. Utilizing DTC insights strengthens retail strategies, such as routing popular SKUs and guiding pricing through A/B testing, enhancing the overall commercial engine.

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Internal culture shift

Implementing a DTC strategy also requires a cultural shift, breaking down silos between teams and fostering collaboration in sales, marketing, and product development. Education and communication of the dual-channel vision, along with demonstrating quick wins, are crucial for gaining internal support.

The value of a measured approach

Brands don't need to dive into DTC with a global rollout. A smarter path is to start small, launching in one market or product line, then iterate. This allows the brand to:

- Test logistics and fulfillment
- Gather customer feedback and improve UX
- Monitor channel conflict in a controlled way

Once a stable model is in place, it can be scaled across markets or categories. Proving success on a smaller scale builds trust and confidence among internal and external stakeholders.



7. Conclusion: A smarter path to profitability

Harmonizing DTC and retail for long-term growth

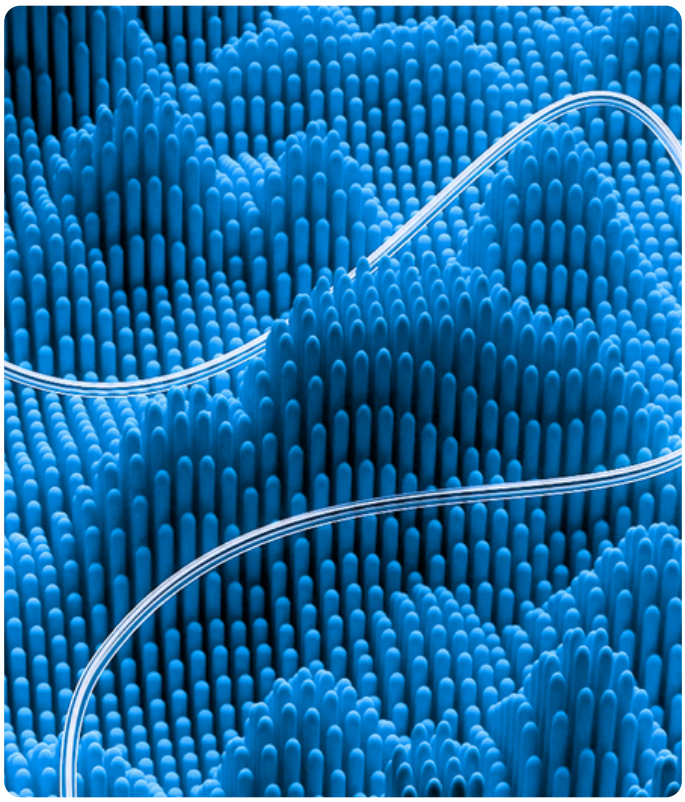
A DTC strategy doesn't need to disrupt retail partnerships. When implemented thoughtfully, it becomes a valuable complement—creating a hybrid model that's stronger than either channel alone.

Retail partners remain key for reach, service, and physical presence. DTC adds value through direct customer relationships, faster feedback loops, and innovation. When aligned in messaging, pricing, and data, both channels reinforce each other and build a more resilient commercial engine.

The role of technology and data

Technology makes this alignment possible. Dynamic pricing tools, unified data platforms, and real-time analytics help brands react with precision, monitoring price shifts, optimizing margins, and staying consistent across markets.

CRM and loyalty tools also ensure seamless customer experiences, whether in-store or online, supporting personalization at every touchpoint.



Key Takeaways

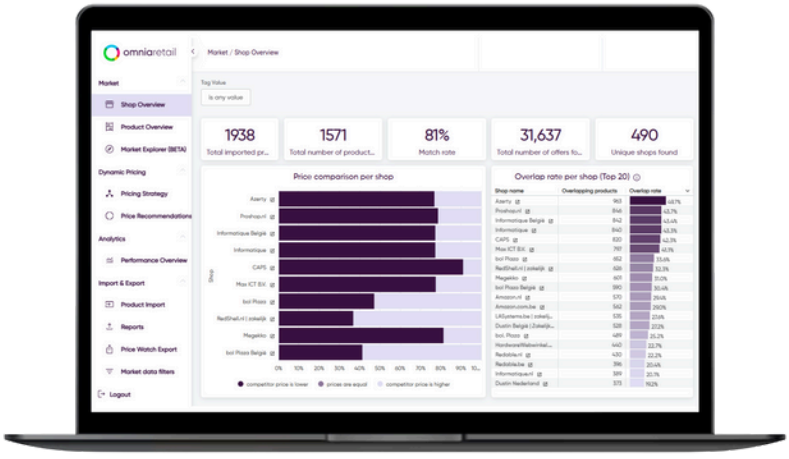
- DTC can complement—not compete with—retail when integrated thoughtfully into a hybrid commerce strategy.
- Retail remains vital for reach and physical presence, while DTC offers direct customer relationships and rapid feedback loops.
- Aligning messaging, pricing, and customer data across channels builds a more resilient and modern commercial model.
- Technology like dynamic pricing, centralized data platforms, and real-time analytics ensures agility and coordination.
- Loyalty tools and CRM systems enable seamless, personalized experiences across both retail and DTC channels.

Partnering with Omnia

At Omnia Retail, we specialize in helping brands navigate the complex landscape of pricing, distribution, and channel strategy. Our solutions empower brands to take control of their pricing architecture, manage relationships with retail partners, and unlock the full value of DTC.

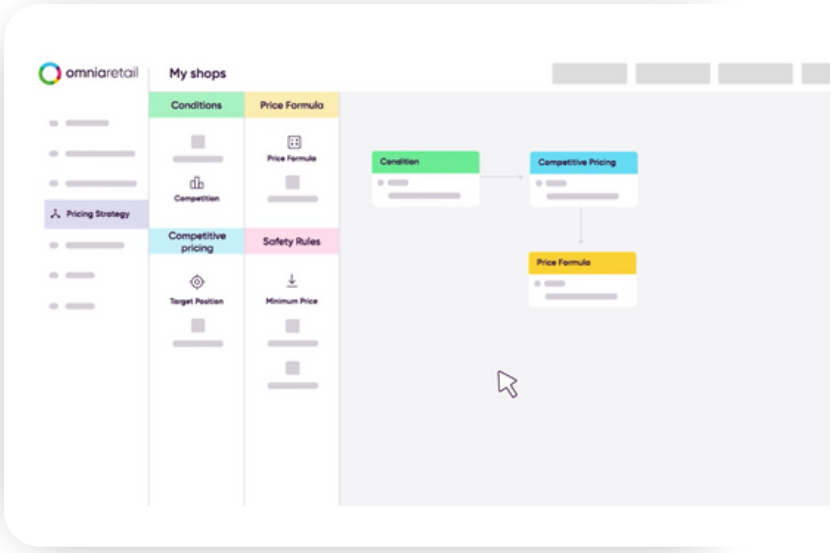
We believe in sustainable commerce built on collaboration, transparency, and smart automation. Whether you're building a selective distribution network, launching a DTC pilot, or harmonizing your global pricing strategy, Omnia is your trusted pricing partner.

Schedule a free demo



Questions Omnia Can Help You Answer

- How can we prevent price erosion across regions and retailers while expanding into DTC?
- What's the best way to balance DTC growth with existing retail partnerships to avoid channel conflict?
- How can dynamic pricing and data-driven tools support profitability in a dual-channel (DTC + retail) model?
- What product, pricing, and promotional tactics can differentiate our DTC channel without threatening wholesale partners?
- How do we build a scalable, tech-enabled DTC strategy that aligns with brand goals and long-term retail collaboration?



Snapshot of our Pricing Strategy Tree™ in Omnia 2.0

Frequently Asked Questions

Can we launch a DTC channel without damaging our retail relationships?

Yes. With clear communication, pricing alignment, and differentiated assortments, brands can build a DTC strategy that complements, rather than competes with, retail partners.

How does Omnia help prevent price erosion across channels?

Omnia's pricing software monitors and manages pricing across all regions and channels, detecting early signs of erosion and allowing brands to enforce pricing consistency through smart automation.

What are the key benefits of adopting a DTC model?

DTC enables higher margins, direct customer relationships, better brand control, faster product innovation, and ownership of valuable first-party data.

How can we minimize internal resistance to DTC within our brand?

Start with pilot programs, share measurable wins, and align incentives across retail and DTC teams. Omnia supports this with tools that provide shared visibility into performance and pricing.

Do we need to fully commit to DTC right away?

No. A phased rollout, starting with select products, regions, or customer segments, lets you test logistics, gauge demand, and manage risks before scaling up. Omnia helps manage this process with precision.